

Texas Department of Transportation

P.O. BOX 1388 • HOUSTON, TEXAS 77251-1388 • (713) 802-5000

April 24, 2006

Revenue Sharing Proposal on
SH 99 (Segments E, F-1, F-2, and G),
Hempstead Highway, and Beltway 8 Northeast

CONTACT: DPD

Mr. Arthur L. Storey, Jr., P.E.
Executive Director
Harris County Public Infrastructure Department
1001 Preston, 7th Floor
Houston, Texas 77002

Dear Mr. Storey:

I am proposing a general funding agreement for a joint effort in revenue sharing on three toll corridors: SH 99 (Segments E, F-1, F-2, and G), Hempstead Highway, and Beltway 8NE.

Background

Plans for the proposed SH 99, from IH 10W to US 59N, include a 400-foot wide right-of-way width on new location and a four-lane divided toll facility having two lanes in each direction. Long third level bridges over the major interchanges, second level grade separations over existing roadways, and at-grade connections were included in the cost estimate. The proposed Hempstead corridor, from IH 610 to Huffmeister, consists of a four-lane divided tollway with continuous frontage roads having two lanes in each direction. Additional right-of-way will be required to build this new corridor. The cost for the Hempstead corridor reflects the schematic design shown at public meetings. The Beltway 8E tollway, from west of US 59N to US 90E, will be built in the existing right-of-way inside a wide median area. The proposed BW 8NE toll facility is a six-lane divided facility having three tolled lanes in each direction. The cost estimate includes: one long third level bridge at US 90, grade separations at existing roadways, and connecting ramps.

Incurred Costs

The major cost estimates for the three corridors are the initial capital cost, operation cost and maintenance cost. The capital costs are project cost and issuance cost. The project cost includes: design, roadway construction, permits, acquisition of rights-of-way, easements, utility relocation, engineering, construction management, environmental mitigation, toll elements and drainage. Project cost totals are listed in Table 1.

Mr. Arthur L. Storey, Jr., P.E.
 April 24, 2006
 Page 2

**Table 1
 Project
 Costs**

Roadway		Opening Year	Project Cost (M) Year 2010	Construction Length (miles)
SH 89	Segment E	2013	\$370	16.1
	Segment F-1	2013	\$330	12.1
	Segment F-2	2013	\$326	11.9
	Segment G	2013	\$296	12.7
Sub-Total			\$1,322	52.8
Hempstead	IH 610 to Huffmeister	2013	\$480	15.0
Beltway 8NE	US 59 to US 90	2010	\$310	13.6
Total			\$2,112	81.4

The issuance costs are any indentures entered into in connection with these three corridors resulting in an obligation such that the Debt Service Reserve Fund security, insurance, and bond debts are inclusive. Any future Texas Department of Transportation obligation incurred is to be a separate obligation in its entirety and unto itself from all other previous commitments and obligations and remain so throughout the life of the lien. Future agreements such as additional obligations and early terminations will seek a mutual agreement. The operation cost and maintenance cost for each corridor is estimated using software developed for Texas Turnpike Authority (TTA). Other additional costs incurred as a result of borrowing funds to meet average annual debt service payments will have title to interest at a specified rate.

Basic Assumptions

- Electronic Toll Collection only
- All traffic tolled (except Hempstead Highway HOV+3)
- Truck traffic allowed
- Number of toll revenue days 280 per year
- Pavement type - concrete
- No direct connectors will be included in estimated costs
- Toll rates and toll increases based on 12 cents per mile and 25 cents per transaction in year 2003 (3 percent inflation each year thereafter) with rate increases every 5 years after opening
- Operations and maintenance costs based on TTA software 'PFT v. 1.0'
- No dynamic pricing calculated as part of the toll rates

Mr. Arthur L. Storey, Jr., P.E.

April 24, 2006

Page 3

District project costs

- District traffic projections
- Term of bond 30 years
- Term of agreement 40 years
- Debt Service Reserve Fund (DSRF) - 125 percent of annual debt service
- Bond Insurance - 0.75 percent of total debt service
- Bond debt - 1.5 percent of debt
- Interest on borrowed dollars - 5 percent
- Inflation - 3.5 percent used in Present Value (PV)
- Environmental Clearance and Public Involvement - TxDOT
- Design, right-of-way acquisition, utility adjustments, and construction - HCTRA

Traffic and Revenue

The traffic forecasts for this proposal are based on existing traffic studies, Houston District traffic projections and the Houston-Galveston Area Council traffic growth rates. Truck traffic is estimated to be 5 percent for the three corridors. The annual gross revenue and the annual net operating revenue are estimated using TTA software, 'Preliminary Feasibility Tool,' version 1.0, with Houston District traffic projections and cost estimates as data input.

Proposal

The option for revenue sharing includes a single payment for the three corridors (of \$1.235B) plus a percentage of annual gross revenue received from the total of gross revenue for the three corridors to be determined prior to signing of the agreement.

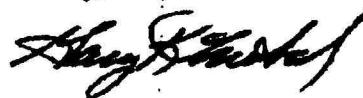
Single Payment of \$1,235,000,000 plus XX percent of Annual Gross Revenue for 40 Years

This offer is presented for your consideration. Your review and comment on our revenue sharing proposal would be appreciated. Additional information relating to our administrative rules on toll roads can be found on the website www.dot.state.tx.us/transcom/rules.htm?pg=ad.

The funds paid to TxDOT will be used to advance other TxDOT projects within the Houston District.

If you have any questions, please contact me at (713) 802-5001.

Sincerely,



Gary K. Trietsch, P.E.
District Engineer
Houston District

bc: Mr. Amadeo Saenz, Jr., P.E., Mr. James Bass, Mr. Phillip Russell
Mr. Delvin Dennis, Mr. Pat Henry